

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 OPIC-03 XMB-02 CIAE-00

DODE-00 NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 AGR-05

CEA-01 COME-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01

TRSE-00 PRS-01 SP-02 OMB-01 /086 W
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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 4826

C O N F I D E N T I A L BUENOS AIRES 1671

E.O. 11652: GDS

TAGS: EINV, ETRD, PINT, AR

SUBJ: POSSIBLE ARGENTINE EXCLUSION FROM GSP

REFS: A) STATE 11922 B) BUENOS AIRES 1653 C) STATE 60194
D) BUENOS AIRES 1372 E) STATE 58028

BEGIN SUMMARY: SINCE THE VERY HELPFUL FISHLOW/VAZQUEZ CON-
VERSATION OF JAN 16 (REF A), GOA PROGRESS SLOWER THAN I HAD
HOPED. MARCH 11, I DISCUSSED FOREIGN INVESTMENT PROBLEMS
WITH FONMIN QUIJANO (REF B) AND AM NOW SCHEDULED MEET WITH
ECON MINISTER MONDELLI ON MON. MAR. 15. I BELIEVE GOA
CONTINUES SEEK TO NEGOTIATE IN GOOD FAITH AND THAT FAILURE
MAKE FURTHER PROGRESS DUE DISARRAY OF GOVT. CONSIDERING
CURRENT CHAOTIC ECONOMIC/POLITICAL SITUATION, IT IS MY
JUDGMENT THAT EXCLUSION OF ARGENTINA FROM GSP AT THIS TIME
WOULD BE SERIOUS MISTAKE. IT COULD JEOPARDIZE BILATERAL
RELATIONS AND US ECONOMIC/POLITICAL INTERESTS, POSSIBLY
FOR YEARS TO COME. AT MAR. 20 MEETING US CHAMBER OF COMMERCE
BOARD WHERE ISSUE CAME UP, IT WAS UNANIMOUS RPT UNANIMOUS
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VIEW THAT THIS ACTION AT THIS TIME RPT AT THIS TIME WOULD

BE MAJOR ERROR, ADVERSELY AFFECTING US COMPANY INTERESTS BESIDES PLAYING INTO HANDS OF LEFTISTS. IF DESPITE ABOVE WASHINGTON STILL TAKES DECISION TO EXCLUDE ARGENTINA, I HOPE CONSIDERATION WILL BE GIVEN TO PRESIDENTIAL WAIVER OF ACTION WHICH I BELIEVE WOULD BE IN US NATIONAL ECONOMIC INTEREST. END SUMMARY.

1. SINCE JAN 16 FISHLOW/VAZQUEZ CONVERSATION, GOA PROGRESS SLOWER THAN I HAD HOPED. IN CHASE CASE, AGREEMENT HAS NOT YET BEEN REACHED ALTHOUGH NEGOTIATIONS CONTINUING. EMBASSY WAS TOLD YESTERDAY BY CENTRAL BANK GENERAL MANAGER PORTA THAT FINAL DETAILS MIGHT BE AGREED MORNING OF MAR. 15. GOA ALREADY HAS SUBMITTED TO CONGRESS BILL AUTHORIZING CHASE'S INVESTMENT BANK (CONGRESS NOW HOLDING EXTRAORDINARY SESSIONS, BUT CONSIDERATION OF BILL LIKELY BE DELAYED DUE POLITICAL CRISIS). EXXON IN CLOSE CONTACT WITH NEW ENERGY SECRETARY RAUL GUISCARDO BUT REPORTS NO SUBSTANTIVE PROGRESS. (DESPITE PROBLEMS, I NOTE EXXON BELIEVES ARGENTINE EXCLUSION FROM GSP COUNTERPRODUCTIVE AT THIS TIME. (REF C) WITH REGARD ITT/CSEA, RECENT COURT DECISION CLEARING CSEA OF CHARGES OF CONTRABAND AND OVERPRICING SHOULD CLEAR WAY FOR NEW INTEL ORDERS FOR CSEA. FURTHERMORE, MONDELLI HAS TOLD US HE WILL MAKE CSEA PROBLEM FIRST PRIORITY SOON AS CHASE SITUATION RESOLVED. COURT DECISION FAVORABLE TO SOLUTION OF DELTEC CASE IS HELPFUL, (REF D) BUT STILL A BITTER POLITICAL PROBLEM HERE.

2. DESPITE GENERALLY SLOW PACE OF PROGRESS OVER LAST TWO MONTHS, I CONSIDER GOA CONTINUING SEEK NEGOTIATE IN GOOD FAITH. BELIEVE GOA GENUINELY WISHES CLEAR UP THESE OUTSTANDING INVESTMENT ISSUES AND MOREOVER, IS FULLY AWARE OF THEIR IMPORTANCE IN ITS EFFORTS OBTAIN ADDITIONAL EXTERNAL CREDITS. MAJOR PROBLEMS WHICH HAVE SLOWED PROGRESS OVER LAST TWO MONTHS INCLUDE (1) CHANGE OF ECONOMY MINISTERS, (2) STRONG POLITICAL OPPOSITION FROM SOME QUARTERS, AND (3) CONTINUED WEAKNESS AND INEFFECTIVENESS OF GOVERNMENT.

3. CONSIDERING CURRENT CHAOTIC ECONOMIC/POLITICAL SITUATION, IT IS MY JUDGMENT THAT ARGENTINE EXCLUSION FROM GSP AT THIS TIME WOULD BE SERIOUS MISTAKE. IT COULD JEOPARDIZE OUR BILATERAL CONFIDENTIAL

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RELATIONS AND US ECONOMIC/POLITICAL INTERESTS IN ARGENTINA POSSIBLY FOR YEARS TO COME. AS WASHINGTON WELL AWARE, ECONOMIC/POLITICAL SITUATION HAS CONTINUED DETERIORATE TO POINT WHERE THIS GOVERNMENT NOT LIKELY SURVIVE MUCH LONGER IN OUR OPINION. IN THIS DELICATE SITUATION, US ACTION WOULD HAVE PARTICULARLY SERIOUS REPERCUSSION HERE. IT IS QUITE LIKELY STRONG PRESSURE WOULD EXIST TO MAKE US SCAPEGOAT FOR CURRENT ECONOMIC/POLITICAL MESS. SHOULD MILITARY COUP CLOSELY FOLLOW OUR ACTION,

SITUATION WOULD BE WORSE STILL. LEFTIST PROPAGANDA WOULD PLACE BLAME ON US AND TIMING WOULD APPEAR LEND CREDENCE THEIR FALSE CLAIMS. ON OTHER HAND, IF COUP TAKES PLACE IMMEDIATELY, WE WOULD BE UNFAIRLY PENALIZING NEW GOVT WHICH NOT TO BLAME FOR CURRENT SITUATION. IN FACT, WE PROBABLY WOULD WISH TO SUPPORT A MODERATELY ORIENTED MILITARY GOVT SEEKING GENUINE ECONOMIC REFORM.

4. ON MAR. 20, BOARD OF AMERICAN CHAMBER OF COMMERCE, REPRESENTING MAJOR US COMPANIES HERE, HELD ITS MONTHLY MEETING. DURING DISCUSSION, ISSUE OF POSSIBLE ARGENTINE EXCLUSION FROM GSP CAME UP. IT WAS UNANIMOUS RPT UNANIMOUS VIEW OF THE BOARD THAT TIMING OF ACTION WOULD BE TRAGIC MISTAKE ADVERSELY AFFECTING US COMPANIES HERE AND DIRECTLY PLAYING INTO HANDS OF LEFTISTS. THE FEELING WAS THAT RADICAL LABOR ELEMENTS WOULD USE CHARGE OF "YANKEE AGGRESSION" TO STRENGTHEN THEIR POSITIONS WITH CGT LABOR UNIONS AND TO FURTHER UNDERMINE US COMPANIES.

5. I HAVE RAISED ABOVE POINTS IN EFFORT PROVIDE WASHINGTON WITH ELEMENTS NECESSARY TO MAKE DECISION ON THIS ISSUE. IF DESPITE ABOVE, WASHINGTON BELIEVES IT STILL NECESSARY EXCLUDE ARGENTINA FROM GSP, THEN I HOPE EVERY CONSIDERATION WILL BE GIVEN TO EXERCISING PRESIDENTIAL WAIVER OF ACTION WHICH I BELIEVE IN US NATIONAL ECONOMIC INTEREST. I EMPHASIZE THIS SECOND BEST APPROACH IN MY VIEW BECAUSE ONCE US DECLARES ARGENTINA INELIGIBLE, ISSUE OF "YANKEE AGGRESSION" WILL HAVE BEEN INJECTED INTO POLITICAL SITUATION HERE WITH SERIOUS CONSEQUENCES.

6. I WILL REPORT IMMEDIATELY FURTHER DEVELOPMENTS FOLLOWING MY MAR. 15 MEETING WITH ECON MIN MONDELLI.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, TARIFF BARRIERS, GENERALIZED PREFERENCES (TARIFFS), FOREIGN INVESTMENTS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BUENOS01671
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760096-0040
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760364/aaaacefe.tel
Line Count: 154
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 STATE 11922, 76 BUENOS AIRES 1653, 76 STATE 60194, 76 BUENOS AIRES 1372, 76 STATE 58028
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUL 2004 by KelleyW0>; APPROVED <22 OCT 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POSSIBLE ARGENTINE EXCLUSION FROM GSP
TAGS: EINV, ETRD, PINT, AR, US, (HILL, ROBERT C), (MONDELLI, EMILIO), (QUIJANO RAUL ALBERTO JOSE)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006